

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 ORM-02 DHA-02 IO-11

OPIC-03 AF-06 IGA-02 DODE-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SS-15 USIA-06 ARA-06 EA-07 /131 W

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R 231844Z JAN 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 375

INFO ALL EC CAPITALS 1593

AMEMBASSY LISBON

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E.O. 11652: NA

TAGS: EEC PO EAID

SUBJECT: EC CONSIDERING FOOD SALES OR DONATIONS TO PORTUGAL

REF: (A) EC BRUSSELS 477, (B) EC BRUSSELS 339, (C) 75 EC BRUSSELS  
10855

1. SUMMARY: ACCORDING TO SOURCES IN THE EC COMMISSION THE COMMISSION SERVICES HAVE ALMOST COMPLETED THEIR STUDY ON THE POSSIBILITIES OF PROVIDING FOOD TO PORTUGAL. THEY ARE FOCUSING ON LOW COST SALES OF NONFAT DRY MILK (NFDM), LARGELY FOR USE AS ANIMAL FEED, AND BEEF. THE COMMISSION IS ALSO CONSIDERING GRANTS OF NFDM UNDER AN AID TO REFUGEES PROGRAM. END SUMMARY.

CURRENT COMMISSION THINKING ON FOOD FOR PORTUGAL IS FOCUSING ALONG THREE LINES: LOW COST SALES, FOOD AID DONATIONS, OR LONG-TERM CREDITS.

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LOW COST SALES: IN CONNECTION WITH MEASURES DESIGNED TO HELP DISPOSE OF CURRENT EC DAIRY SUPLUSSES

(MOST RECENT FIGURES AVAILABLE INDICATE 1,056,000 M.T. OF NFDM WAS IN PUBLIC INTERVENTION STOCKS AS OF OCTOBER 31, 1975), THE EC COUNCIL AUTHORIZED THE COMMISSION TO SELL 100,000 M.T. OF NFDM AT 25 PERCENT OF THE EC INTERVENTION PRICES (REF C). THESE SALES ARE FOR THE BENEFIT OF LDCS AND INTERNATIONAL ORGANIZATIONS.

3. ACCORDING TO CAPORALE, WHO IS COORDINATING THIS PROGRAM IN THE DIRECTORATE GENERAL FOR EXTERNAL RELATIONS, NOTWITHSTANDING THE RESTRICTION ON THE ABOVE TYPE OF SALE TO LDCS AND INTERNATIONAL ORGANIZATIONS, IT MIGHT BE POSSIBLE FOR THE COMMISSION TO GET AROUND THESE RESTRICTIONS IF THE POLITICAL WILL WERE THERE, AND HE BELIEVES IT IS. HOWEVER, THE EC HAS AN UNDERSTANDING WITH THE MAJOR DAIRY EXPORTING COUNTRIES THAT NFDM WILL NOT BE SOLD BELOW \$520/M.T. , IN FACT, NEW ZEALAND AND CANADA HAVE COMPLAINED INFORMALLY THAT ANY EC SALES UNDER THE 100,000M.T. AUTHORIZATION, PER PARA 2 , SHOULD BE NOTIFIED AS FOOD AID. ONE POSSIBILITY WOULD BE FOR THE COMMUNITY TO SELL NFDM TO PORTUGAL AT THE "WORLD PRICE" WHICH WOULD STILL BE CHEAPER THAN THEY WOULD BE ABLE TO OBTAIN IT ANYWHERE ELSE, IN VIEW OF PORTUGAL'S GEOGRAPHIC PROXIMITY.

4. MEAT IS ALSO BEING CONSIDERED BY THE EC AS AN ITEM FOR SUBSIDIZED SALE. MOST RECENT AVAILABLE FIGURES FOR TOTAL EC PUBLIC INTERVENTION STOCKS ARE 300,419 M.T. CARCASS EQUIVALENT, OF WHICH 94,401 CANNED AND 206,018 FROZEN. HOWEVER, THE COMMUNITY IS ALREADY UNDER HEAVY ATTACK FOR DISTURBING WORLD MARKETS BY ITS VIRTUAL EMBARGO OF IMPORTS AND ITS SUBSIDIZATION OF EXPORTS. THE SALE OF EC BEEF AT LOW PRICES TO PORTUGAL COULD THUS DISTURB THE POSITION OF PORTUGAL'S OTHER FOREIGN SUPPLIERS, SUCH AS SOUTH AMERICAN EXPORTERS. IN FACT, ONE OF OUR COMMISSION SOURCES SAYS THAT THERE ARE RUMORS OF A DEAL BETWEEN PORTUGAL AND URUGUAY INVOLVING 10,000 M.T. OF BEEF.

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5. FOOD AID DONATIONS: THE COMMISSION IS ALSO CONSIDERING A FOOD AID PROGRAM FOR PORTUGAL. THE EC COMMISSION'S FOOD AID PROPOSAL FOR THE COMMUNITY-FINANCED 1975/76 PROGRAM INCLUDES 707,850 M.T. OF GRAINS, 55,000M.T. OF NFDM AND 45,000M.T. OF BUTTER OIL. THIS AID IS ALLOCATED TO INTERNATIONAL ASSISTANCE ORGANIZATIONS AND TO DEVELOPING COUNTRIES, IN PARTICULAR THOSE ON THE MSA LIST. THE COMMUNITY DOES NOT CLASSIFY PORTUGAL AS AN LDC AND THEREFORE THERE IS NO ALLOCATION IN THE 75/76 FOOD AID PROGRAM

FOR PORTUGAL. THE EC DOES KEEP A CERTAIN PORTION OF ITS PROGRAM AS A RESERVE TO MEET EMERGENCY SITUATIONS. WHILE IT WOULD SEEM DIFFICULT TO JUSTIFY AID FOR PORTUGAL OUT OF A PROGRAM WHICH IS EAR-MARKED FOR DEVELOPING COUNTRIES, LAST YEAR THE EC DID PROVIDE AROUND 400 M.T. OF BUTTEROIL AND 550 M.T. OF NFDM TO PORTUGAL WHICH WAS CHANNELLED THROUGH THE WORLD FOOD PROGRAM IN THE CONTEXT OF HELPING REFUGEES FROM ANGOLA. ACCORDING TO CAPORALE THE COMMISSION IS CONSIDERING PROVIDING ADDITIONAL AID WHICH WOULD BE LOOSELY DISGUISED AS REFUGEE AID. CAPORALE BELIEVES THAT ONCE THE FOOD GETS TO PORTUGAL IT WOULD BE POSSIBLE TO DISTRIBUTE IT WITHOUT BEING OVERLY STRICT ABOUT INSISTING THAT ALL BENEFACTORS WERE ABLE TO PROVIDE REFUGEE CARDS.

6. LONG-TERM CREDITS: THE COMMUNITY, AS OPPOSED TO THE MEMBER STATES, DOES NOT PROVIDE MEDIUM- OR LONG-TERM CREDIT ON FOOD PURCHASES. SUCH CREDITS COULD BE EXTENDED THROUGH THE AGRICULTURAL FUND (FEOGA) BUT THIS WOULD NEED COUNCIL AUTHORIZATION. COMMISSIONER LARDINOIS TOLD AMBASSADOR GRENWALD THAT SUCH A POSSIBILITY IS ALSO BEING CONSIDERED.

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7. CAPORALE EMPHASIZED THAT ALL THE DETAILS HAD NOT BEEN WORKED OUT BUT HE HOPED THAT A PAPER ON PORTUGAL FOOD AID AND SALES POSSIBILITIES IN PREPARATION WOULD GO ALONG WAY IN CLARIFYING MATTERS. HE PROMISED TO KEEP IN TOUCH WITH THE MISSION ON THIS SUBJECT: HE SAID HE BELIEVED THAT, PARTICULARLY AS A RESULT OF AMBASSADOR CARLUCCI'S VISIT, POLITICAL WILL IN THE COMMISSION IS THERE AND WHERE THERE IS A WILL THERE IS A WAY. THIS SENTIMENT WAS ALSO EXPRESSED BY DE KERGORLAY, DEPUTY DIRECTOR FOR EXTERNAL RELATIONS. THERE HAS NOT YET BEEN ANY DISCUSSION AS TO THE QUANTITIES THAT MIGHT BE INVOLVED.

8. IN SPITE OF ALL THE PROBLEMS, CAPORALE BELIVES THAT SOMETHING WILL BE DONE RATHER QUICKLY. HE NOTED THAT THE PROGRAMS UNDER CONSIDERATION (EXCLUDING LONG-TERM CREDITS, DISCUSSED PARA 6) COULD

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BE DONE BY THE COMMISSION WITHOUT AUTHORIZATION FROM THE COUNCIL ALTHOUGH HE SUPPOSES THAT THE COMMISSION WOULD NOT WISH TO TAKE ACTION WITHOUT AT LEAST DISCUSSING THE MATTER WITH THE COUNCIL. NEVERTHELESS HE IS HOPEFUL THAT SOMETHING COULD BE DONE BEFORE THE END OF FEBRUARY AND PERHAPS SOONER.

GREENWALD

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